



CITY OF DURHAM | NORTH CAROLINA

**Date:** February 8, 2011

**To:** Thomas J. Bonfield, City Manager

**Through:** Theodore L. Voorhees, Deputy City Manager

**From:** Joel V. Reitzer, Jr., Director, General Services Department  
John P. Gregory, Assistant Director, General Services Department  
Trish Creta, Senior Construction Project Manager

**Subject:** Carolina Theatre Phase II Project: Amendment No. 2L to the Skanska USA Building (CMAR) Contract

### **Executive Summary**

In 2005, General Obligation Bonds were authorized to complete facility and accessibility improvements and deferred maintenance at six downtown locations, referred to as the Downtown Bundle. The FY2008-09 and FY2009-10 Capital Improvements Program provided additional funding for upgrades to the Carolina Theatre and other projects in the Downtown Bundle to address necessary unfunded improvements. Skanska USA Building, Inc. (Skanska) performed preconstruction and construction services for Phase I through their role as Construction Manager at Risk (CMAR). Skanska has provided preconstruction services during Phase II of design.

A construction schedule has been identified that allows for construction in an efficient manner while recognizing the operational requirements of the Carolina Theatre. The long lead delivery of carpet is an obstacle for maintaining the compact construction schedule. This item allows Skanska to provide limited construction services on Phase II for the Carolina Theatre sub-project of the Phase II Downtown Bundle, for early procurement of the carpet. Purchasing the carpet material in advance of completion of the final construction documents will facilitate efficiencies in the construction schedule.

### **Recommendation**

The Department of General Services recommends that the City Council:

1. Authorize the City Manager to execute Amendment No. 2L to the CMAR contract with Skanska USA Building for procurement of carpet, in an amount not to exceed \$229,233.35.
2. Establish a project contingency in the amount of \$22,923.00 and authorize the City Manager to negotiate and execute change orders on the Amendment No. 2L to the CMAR contract with Skanska USA Building, provided the total project cost does not exceed the amount budgeted for construction phase services plus the project contingency.

## **Background**

In 2003, the City of Durham contracted with engineering firm Carter & Burgess, Inc. to complete a facility condition assessment of City facilities. The assessment identified repair work needed due to age and deferred maintenance. In November 2005, the City of Durham received voter approval to issue \$110 million in General Obligation (GO) Bonds to fund a broad portfolio of capital improvement projects, many of which are related to facility upgrades and deferred maintenance in City facilities.

Six City buildings in the downtown area (Police Headquarters, Civic Center, Carolina Theatre, Durham Arts Council, the Armory and City Hall roof) had similar maintenance and repair needs. Therefore, the design work was “bundled” into a single project, referred to as the Downtown Bundle, to expedite the repairs and replacement of failing mechanical systems and damage from leaking roofs.

In April 2006, City Council approved a professional services contract to Heery International, Inc. (Heery), to complete the design services for the six buildings in the Downtown Renovation Project Phase I. In October 2006, City Council approved Skanska USA Building, Inc. (Skanska) to provide Construction Management at Risk (CMAR) preconstruction services and approved contract amendments for construction with Skanska between June and October 2007. The Downtown Bundle Phase I projects were completed as scheduled.

During the Phase I design, all projects were identified as having insufficient funding to complete the full scope of recommended upgrades. Heery's Basis of Design Report for each project itemized the unfunded scope and this itemized list resulted in a request for CIP funding. In FY2008-09 and FY2009-10, City Council authorized additional funding to complete upgrades for the Arts Council, Carolina Theatre, and Convention Center and new funding for deferred maintenance for the City Hall Building Envelope and Annex Roof. In September 2009, City Council approved contract amendments with Heery and Skanska for pre-design services of Phase II of the Downtown Bundle in order to investigate and fully define scope and to forecast costs for each project. As part of the Phase II pre-design and in consultation with project stakeholders, staff identified three levels of priorities, in order of importance: 1) code compliance/life safety, 2) deferred maintenance and 3) facility upgrades, along with associated cost estimates to determine if funding was in alignment with the scope items. In April 2010, City Council approved a contract amendment with Heery to perform consulting services for the completion of design on Phase II of the Downtown Bundle. In February 2011, City Council approved a contract amendment with Skanska to continue preconstruction services for the Carolina Theatre subproject.

In January 2011, the Architect completed the design process to enable early procurement of long-lead delivery carpet materials. Early procurement is required in order to maintain the operators desired target completion date and allow construction to proceed on the most efficient schedule while minimizing impacts to the facility. Based on the Architect's design documents, the CMAR has submitted a preliminary guaranteed maximum price (PGMP) and has begun bidding for purchase of the carpet materials. After accepting bids, Skanska will offer a final GMP which the City may accept by executing an Amendment No. 2L for limited construction services, provided the final GMP does not exceed the amount budgeted including contingency.

## Issues/Analysis

A summary of the scope for the Carolina Theatre is as follows: ADA upgrades to internal access ramps, 2 passenger elevators, ticket and concession counters, dressing rooms, restrooms and additional seating to cinemas; upgrade general and emergency lighting; replacement of mains-water backflow preventer; repair and replacement of exterior doors windows; repair and or replacement of hard-wall plaster and moldings; install acoustical linings adjacent Arts Council; repair and replacement of interior doors and cabinetry; upgrade sound systems to theatre and cinemas; replace screens, dimming and lighting systems to cinemas; replace carpet finishes throughout; renovate theatre box seats.

Sufficient time is not available, based on manufacturer's standard delivery period, from completion of final design bid documents and award of bids to the date when the carpet materials are required on site for installation. Using an early procurement strategy, the CMAR is currently soliciting bids for purchase of the carpeting. Once the bids are received and, provided the final GMP is within the amount authorized, the City Manager will execute Amendment 2L to enable purchase of the carpet. However, if the final GMP exceeds the authorized amount, the CMAR, the Architect and the selected bidders will work together in a value management exercise to realign the scope to the budget.

## Alternatives

Council may choose not to authorize an Amendment No. 2L for early procurement of the carpet. Staff recommends against this option. The known time constraints in procuring the carpet in conjunction with the bidding of the entire scope of work would delay construction work resulting in an extended schedule. The strategy of early procurement addresses these scheduling issues and minimizes the construction schedule to provide for a completion date in November 2011.

## Financial Impacts

### Phase II Project Funding Sources Impact – Funds for this scope are budgeted in the following accounts:

Carolina Theatre	3301C950 –731000 - CH030	\$229,233.35
	3301C950 - 731900 - CH030	\$22,923.00
<b>Subtotal</b>		<b>\$252,156.35</b>

### Phase II Funding Uses Summary

Carolina Theatre	
Pre-Design	\$19,129.50
Design	\$179,500.00
Design Contingency	\$17,950.00
Preconstruction Services	\$25,000.00
Preconstruction Services Contingency	\$3,750.00
Other Owner's Expenses	\$36,660.00
Early Release Carpet	\$229,233.35
Early Release Carpet Contingency	\$22,923.00
Available for Construction	\$1,298,854.15
<b>Total</b>	<b>\$1,833,000.00</b>

**SDBE Summary**

This is the PGMP for carpeting for the Carolina Theater. Because of the specialty nature of the carpeting required, the Department of Equal Opportunity/Equity Assurance did not set participation goals and Skanska will move forward with the early release of this package.